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1989

Department of the Treasury
Internal Revenue Service

Instructions for Form 6251

Alternative Minimum Tax—Individuals

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	2 hrs., 17 min.
Learning about the law or the form	1 hr., 9 min.
Preparing the form	1 hr., 23 min.
Copying, assembling, and sending the form to IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Changes You Should Note

Beginning in 1989, the following new rules apply in figuring the alternative minimum tax (AMT) for a child under age 14 on January 1, 1990.

1. The child's AMT exemption may be limited (see the instructions for line 13 for details).

2. The amount of the child's AMT figured on Form 6251 may be further reduced when taking into consideration the tentative minimum tax and the income tax of the child's parent and any other children of the parent subject to these rules. See the instructions for line 19 for details.

Form 8814, Parent's Election To Report Child's Interest and Dividends.—If you are filing Form 8814, any tax-exempt interest reported on that form that is a tax preference item must be included on your Form 6251. See the instructions for line 5b for details.

General Instructions

Who Must File.—Complete Form 6251 to see if the alternative minimum tax (AMT) applies to you. Attach it to your return only if:

- You are liable for the AMT; or
- line 6 is more than line 9, and

(a) you have one or more adjustments on line 4h and lines 4j through 4t; or

(b) you have tax preference items on line 5.

Also, certain credits are limited by the amount shown on line 15 or in some cases, line 17. If this applies to you, Form 6251 must be attached to your return. The forms used to figure these credits have information on the tentative minimum tax limit.

Additional Information.—For more information, see **Pub. 909,** Alternative Minimum Tax for Individuals.

Recordkeeping.—For AMT purposes, certain items of income, deductions, etc., receive different tax treatment than for regular tax purposes. Therefore, for the AMT you need to recompute items that you figured for the regular tax. In some cases, you may wish to make this recomputation by completing the applicable tax form a second time. If you do complete another form, do not attach it to your tax return.

For the regular tax, some deductions and credits may result in carrybacks or carryforwards to other tax years. Examples are investment interest expense, a net operating loss, a capital loss, and the foreign tax credit. Because you may have to refigure these items for the AMT, the carryback or carryforward amount may be different for the AMT than for the regular tax. Therefore, you should keep records of these different carryforward and carryback amounts for the AMT and the regular tax. An AMT carryforward amount will be important in completing your Form 6251 for the following year.

Partners, Shareholders, etc.—If you are a member of a partnership or a shareholder in an S corporation, the partnership or corporation will give you information on any adjustments or tax preference items relating to it that you have to take into account for Form 6251.

Nonresident Alien Individuals.—If you disposed of U.S. real property interests at a gain, see the instructions for line 45 of Form 1040NR. You may have to enter a different figure on line 15 of Form 6251. This will happen if the amount figured in the worksheet in the instructions for line 45 (Form 1040NR) is more than the tentative amount you figured on line 15 of Form 6251.

Credit For Prior Year Minimum Tax.—Get Form 8801 if you paid AMT for 1988, or if you had a minimum tax credit carryforward on line 26 of your 1988 Form 8801.

Earned Income Credit.—If you have an earned income credit, you must reduce the credit by any AMT.

Optional 10-year (or 3-year) Write-off for Certain Adjustments and Tax Preference Items (section 59(e)).—For the regular tax, you may elect to deduct certain adjustment and preference items ratably over a period of time, instead of treating them as adjustments or tax preference items on Form 6251. These items are as follows: circulation expenditures under section 173, research and experimental expenditures under section 174(a), intangible drilling and developmental expenditures under section 263(c), development expenditures under section 616(a), and mining exploration expenditures under section 617(a).

You may elect to deduct circulation expenditures on your tax return over 3 years. You may elect to deduct the remaining items over 10 years.

You make the election in the year you make the expenditure. You can revoke it only with the consent of IRS. If you made the election for one of the above items, do not make an adjustment for that item on Form 6251. See section 59(e) for more information.

Line-By-Line Instructions

Line 1—Taxable income.—Enter the amount from Form 1040, line 37. (If line 37 is zero (0) subtract line 36 from line 35 of Form 1040 and enter the result as a negative amount on line 1 of this form.)

If your taxable income includes an amount from the alcohol fuel credit under section 87, reduce your taxable income by the credit included in income.

Lines 4a through 4t—Adjustments.—Enter all adjustments on lines 4a through 4t as positive amounts, unless otherwise indicated.

Line 4c—Medical and dental expense.—If you have an entry on line 4 of Schedule A (Form 1040), figure this adjustment as follows:

Step 1.—Multiply your adjusted gross income (line 32 of Form 1040) by 2½% (.025).

Step 2.—Compare the amount in Step 1 to the amount on line 4 of Schedule A (Form 1040). Enter the smaller amount on line 4c of this form.

Line 4f—Refund of taxes.—Enter any refund from line 10 of Form 1040 that is attributable to state or local income taxes deducted in a tax year after 1986. Include in this adjustment any refunds received in 1989 attributable to state or local personal property taxes, or foreign income or real property taxes, deducted in a tax year after 1986.

Line 4h—Other interest adjustments.—Include on this line home mortgage interest from line 9a, 9b, or 10 of Schedule A (Form 1040) that:

- is for a mortgage taken out after 6/30/82, **AND** is attributable to proceeds not used to buy, build, or substantially rehabilitate your main home; **OR**
- is for a mortgage taken out before 7/1/82 and, at the time the mortgage was taken out, the mortgage was not secured by property that was your main home or a qualified dwelling used by you or a member of your family. (A qualified dwelling is any house, apartment, condominium, or mobile home not used on a transient basis.)

Investment interest expense.—If you completed **Form 4952,** Investment Interest Expense Deduction, you may have an adjustment on this line. Refigure your investment interest expense on another Form 4952 as follows:

Step 1.—Complete lines 1 and 2 of Form 4952. Follow the Form 4952 instructions for lines 1 and 2 but when completing line 1, subtract any qualified housing interest included in that amount. See section 56(e). Add to this amount any interest expense from specified private activity bonds issued after 8/7/86.

When completing line 2, recompute your gross investment income, any net gain attributable to the disposition of property held for investment, and any investment expenses taking into account all AMT adjustments and tax preference items that apply. Include any interest income and investment expenses from private activity bonds issued after 8/7/86.

Step 2.—Enter -0- on line 3 and complete lines 4 and 5.

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Step 3.—Skip lines 6 through 12 and enter the amount from line 5 on line 13.

Step 4.—Complete lines 14 through 24. When entering your disallowed investment interest expense from 1988 on line 17, use your AMT disallowed investment interest expense from 1988.

To figure your adjustment, find the difference between line 24 of your AMT Form 4952 and line 24 of the Form 4952 completed for regular tax purposes. If your investment interest expense allowed for the AMT is more than that allowed for the regular tax, enter the difference as a negative amount on line 4h.

Note: *If you took the standard deduction instead of itemizing your deductions, and you had investment interest expense, do not enter an amount on line 4h unless you reported investment interest expense on Schedule E. If you did, follow the above instructions for completing Form 4952. Allocate the investment interest expense allowed on line 24 of the AMT Form 4952 in the same way you did for the regular tax. Enter on line 4h the difference between the amount allowed on Schedule E for the regular tax and the amount allowed on Schedule E for the AMT.*

Line 4j—Depreciation of property placed in service after 1986, or after 7/31/86 if election was made (under the transitional provision of section 203(a)(1) of the Tax Reform Act of 1986).—

Caution: *Do not include on this line any depreciation adjustment from: (1) an activity for which you are not at risk; (2) amounts received from a partnership or an S corporation if the basis limitations under section 704(d) or 1366(d) apply; (3) a passive activity; or (4) a tax shelter farm activity. Instead, take these depreciation adjustments into account when figuring the amount to enter on line 4q, 4r, or 4s, whichever applies.*

For the AMT, the depreciation deduction must be recomputed using the alternative depreciation system (ADS) described in section 168(g). For property other than real property and property on which the straight line method was used, use the 150 percent declining balance method (switching to straight line in the first tax year that method gives a better result) over the property's class life. Use the same convention you used for regular tax purposes.

For residential rental and nonresidential real property, use the straight line method over 40 years using the same mid-month convention you used for regular tax purposes.

In applying the above rules:

(1) The "class life" to be used for AMT purposes has a different meaning than the recovery period used for regular tax purposes (although these periods could possibly be the same in some instances). The class lives you need to use for AMT purposes can be found in Rev. Proc. 87-56, 1987-2 C.B. 674 or in **Pub. 534,** Depreciation. Use 12 years for any personal property that does not have an assigned class life;

(2) See Rev. Proc. 87-57, 1987-2 C.B. 687 for optional tables (14 through 18) that can be used in computing depreciation for AMT purposes. (These optional tables have been reproduced in Pub. 534).

(3) Do not make an adjustment for property depreciated under the unit-of-production method, or any other method not expressed in a term of years. See section 168(f)(1), (2), (3), or (4).

To figure the adjustment, subtract the recomputed depreciation for AMT purposes from the depreciation deducted for regular tax purposes. If the depreciation figured for the AMT is more than the depreciation deducted for the regular tax, enter the difference as a negative amount on line 4j.

If depreciation is capitalized to inventory under the uniform capitalization rules, refigure the inventory using the rules discussed above.

Line 4k—Circulation expenditures and research and experimental expenditures paid or incurred after 12/31/86.—**Caution:** *Skip this line if for the regular tax you elected to take the optional 3-year write-off period for circulation expenditures, or the optional 10-year write-off period for research and experimental expenditures under section 59(e).*

Circulation expenditures incurred after 1986.—For regular tax purposes, section 173 allows circulation expenditures to be deducted in full in the tax year they were paid or incurred. However, for the AMT these expenditures must be amortized over 3 years beginning with the year the expenditures were paid or incurred. Refigure these circulation expenditures for the AMT. Subtract your recomputed AMT expense from the expense claimed for regular tax purposes and enter the result on line 4k. If the current year deduction for the AMT is more than that figured for the regular tax, enter the difference as a negative amount.

Research and experimental expenditures incurred after 1986.—Research and experimental expenditures deducted during the current year for the regular tax, under section 174(a), must be amortized over 10 years for the AMT. Refigure these expenditures for the AMT and enter the adjustment on line 4k. Figure the adjustment in the same manner as described above for circulation expenditures.

If you had a loss on property for which a deduction for circulation or research and experimental expenditures was allowed for regular tax purposes, see section 56(b)(2)(B).

Line 4l—Mining exploration and development costs paid or incurred after 12/31/86.—**Caution:** *Skip this line if, for the regular tax, you elected to take the optional 10-year write-off under section 59(e).*

The deduction you claimed for regular tax purposes under sections 616(a) and 617(a) is not allowed for AMT purposes. Instead, you must capitalize such costs and amortize them ratably over a 10-year period beginning with the tax year in which they were paid or incurred.

Subtract your recomputed AMT expense from the expense you claimed for regular tax purposes and enter the result on line 4l. If your recomputed AMT expense is greater than the expense you claimed for regular tax purposes, enter the difference as a negative amount.

If you had a loss on property for which a deduction for mining exploration and development costs was allowed for regular tax purposes, see section 56(b)(2)(B).

Line 4m—Long-term contracts entered into after 2/28/86.—For AMT purposes, you must use the percentage of completion method rules described in section 460(b) to determine your taxable income from any "long-term contract" (defined in section 460(f)) you entered into after 2/28/86. However, this rule does not apply to any "home construction contract" (as defined in section 460(e)(6)) you entered into after 6/20/88 if you meet the two-year estimated completion requirement of section 460(e)(1)(B)(i) and the $10 million ceiling on average annual gross receipts requirement of section 460(e)(1)(B)(ii).

Note: *In the case of a contract described in section 460(e)(1), use the simplified procedures for allocating costs outlined in section 460(b)(4) to determine the percentage of completion.*

Subtract the income you reported for regular tax purposes from the income you recomputed for AMT purposes and enter the result on line 4m.

If the amount reportable for the AMT is less than that reported for the regular tax, enter the difference as a negative amount on line 4m.

Line 4n—Pollution control facilities placed in service after 12/31/86.—The election under section 169 to amortize the basis of a certified pollution control facility over a 60-month period is not available for AMT purposes.

Instead, the deduction is determined under the alternative depreciation system (ADS) described in section 168(g), using the ADR class life for the facility under the straight line method.

Subtract your recomputed AMT deduction from the deduction you claimed under section 169 for regular tax purposes. If the amount allowed for AMT is more than the amount allowed for regular tax, enter the difference as a negative amount on line 4n.

Line 4o—Installment sales of certain property.—With respect to any disposition of inventory (as defined in section 1221(1)) after 3/1/86, the installment method of accounting cannot be used in determining income for AMT purposes (except for certain dispositions of timeshares or residential lots if you made an election to pay interest under section 453(l)(2)(B)).

Application of rules in computing adjustment:

(1) Dealer dispositions: For dealer dispositions occurring after 3/1/86 but before 1/1/88, you will have adjustments for those dispositions if you used the installment method for regular tax purposes but were required for AMT purposes to report the entire gain in the year of disposition. In such cases, enter the income you reported for regular tax purposes for the current year for those dispositions on line 4o as a negative amount.

For dealer dispositions occurring after 1987, generally no adjustments are necessary because the installment method of accounting generally cannot be used for either regular tax purposes or for AMT purposes.

(2) Nondealer dispositions: For nondealer dispositions occurring after 3/1/86, but before the first day of your tax year that began in 1987, you will have adjustments with respect to those dispositions if you used the installment method for regular tax purposes but were required for AMT purposes to report the entire gain in the year of disposition. In such cases, enter the income you reported for regular tax purposes for the current year with respect to those dispositions on line 4o as a negative amount.

For nondealer dispositions occurring on or after the first day of your tax year that began in 1987, generally no adjustments are necessary since you are allowed to use the installment method of accounting for both regular tax purposes and AMT purposes.

Line 4p—Adjusted gain or loss.—Use this line to report:

(a) Any AMT adjustment resulting from the recomputation of a gain or loss from the sale

or exchange of property during the year, or from the recomputation of a casualty gain or loss to business or income-producing property; and

(b) Any AMT adjustment from the exercise of incentive stock options after 12/31/87.

Caution: *At the time these instructions were printed, Congress was considering legislation that could affect the long-term capital gain computed for dispositions after September 13, 1989. This change could affect the adjusted gain or loss adjustment on line 4p. If this legislation passes, we will take the steps necessary to publicize the final rules.*

Recomputed gain or loss.—For item **(a)** above, this line can apply only if you reported gain or loss on Form 4797, Schedule D (Form 1040), or Form 4684 (Section B). Recompute your gain or loss for those forms. When figuring your adjusted basis, take into account any AMT adjustment you made this year or in previous years for items related to lines 4j, 4k, 4l, and 4n, of Form 6251. On line 4p, enter the difference between the gain or loss reported for the regular tax, and that figured for the AMT.

If the gain recomputed for AMT purposes is less than the gain computed for regular tax purposes, **OR** if the loss recomputed for AMT purposes is more than the loss computed for regular tax purposes, **OR** if you recomputed a loss for AMT purposes and computed a gain for regular tax purposes, enter the difference as a negative amount.

Incentive stock options.— The rules of section 421 that give favorable tax treatment to incentive stock options do not apply for AMT purposes to stock received from options exercised after 12/31/87. Instead, the rules of section 83 apply. Include as an adjustment on line 4p the difference between the amount reported as income for regular tax purposes, if any, from the exercise of these options, and that reportable as income under section 83.

If you acquired stock by exercising an incentive stock option and you disposed of that stock in the same year, the regular tax and AMT treatments are the same.

Line 4q—Certain loss limitations.—**Caution:** *If the loss is from a passive activity, use line 4s instead. If the loss is from a tax shelter farm activity (that is not passive), use line 4r.*

Refigure your gains and losses from activities for which you are not at risk and basis limitations applicable to partnerships and S corporations by taking into account your AMT adjustments and tax preference items. See sections 59(h), 465, 704(d), and 1366(d).

Enter on line 4q the difference between the amount that would be reported for the activity on Schedule C, E, F, or Form 4835 for AMT purposes and the amount that was reported for the activity on that form or schedule for regular tax purposes.

Enter any adjustment for amounts reported on Schedule D, Form 4684, or Form 4797 for the activity on line 4p instead of line 4q. See the instructions for line 4p.

Line 4r—Tax shelter farm loss.—Complete line 4r only if you have a gain or loss from a tax shelter farm activity (as defined in section 58(a)(2)) that is **not** a passive activity. If the tax shelter farm activity **is** a passive activity, you must include the gain or loss with your other passive activities on line 4s below.

Recompute all gains and losses you reported for regular tax purposes from tax shelter farm activities by taking into account your AMT adjustments and tax preference items. **Caution:** *To avoid duplication, any AMT adjustment or tax preference item taken into account on line 4r should not be taken into account in figuring the amount to enter on any other line of this form.*

Determine your tax shelter farm activity gain or loss for AMT purposes using the same rules you used for regular tax purposes with the following modifications. No recomputed loss is allowed, except to the extent you are insolvent (see section 58(c)(1)). A recomputed loss may not be used in the current tax year to offset gains from other tax shelter farm activities. Instead, any recomputed loss must be suspended and carried forward indefinitely until: **(1)** you have a gain in a subsequent tax year from that same tax shelter farm activity, **or (2)** the activity is disposed of.

Note: *The amount of any tax shelter farm activity loss that is not deductible (and is therefore carried forward) for AMT purposes is likely to differ from the amount (if any) that is carried forward for regular tax purposes. Therefore, it is essential that you retain adequate records for both AMT purposes and regular tax purposes.*

Enter on line 4r the difference between the amount that would be reported for the activity on Schedule E, F, or Form 4835 for AMT purposes and the amount that was reported for the activity on that form or schedule for regular tax purposes.

Enter any adjustment for amounts reported on Schedule D, Form 4684, or Form 4797 for the activity on line 4p instead of line 4r. See the instructions for line 4p.

Line 4s—Passive activity loss.—Your passive activity gains and losses must be refigured for the AMT by taking into account all AMT adjustments, tax preference items, and AMT prior year unallowed losses that apply to that activity. You may wish to fill out a second Form 8582 to determine your passive activity loss allowed for AMT purposes. But do not file the second Form 8582. When refiguring your passive activity loss, no phase-in under section 469(m) is allowed. Skip lines 10 through 15 of Form 8582 when filling out an AMT Form 8582.

Example. Assume you are a partner in a partnership and the Schedule K-1 (Form 1065) you received shows the following:

- A passive activity loss of ($4,125);
- A depreciation adjustment of $500 on property placed in service after 12/31/86; and
- A tax preference item of $225 for accelerated depreciation on property placed in service before 1/1/87.

Because the depreciation adjustment and the depreciation tax preference item are deductions that are not allowed for the AMT, you must first reduce the passive activity loss by those amounts. The result is a passive activity loss for the AMT of ($3,400). You would then enter this amount on Worksheet 2 of the AMT Form 8582 and refigure the allowable passive activity loss for AMT purposes.

Note: *The amount of any passive activity loss that is not deductible (and is therefore carried forward) for AMT purposes is likely to differ from the amount (if any) that is carried forward for regular tax purposes. Therefore, it is essential that you keep adequate records for both AMT purposes and regular tax purposes.*

Enter on line 4s the difference between the amount that would be reported for the activity on Schedule C, E, F, or Form 4835 for AMT purposes and the amount that was reported for the activity on that form or schedule for regular tax purposes.

Enter any adjustment for amounts reported on Schedule D, Form 4684, or Form 4797 for the activity on line 4p instead of line 4s. See the instructions for line 4p.

Caution: *To avoid duplication, any AMT adjustment or tax preference item taken into account on this line should not be taken into account in figuring the amounts to enter on any other line of this form.*

Publicly Traded Partnership (PTP).—If you had losses from a PTP, you will have to refigure the loss using any AMT adjustments, tax preference items, and any AMT prior year unallowed loss. Any phase-in allowed on pre-enactment activities for regular tax purposes is not allowed for AMT purposes.

Tax shelter passive farm activities.—Refigure any gain or loss from a tax shelter passive farm activity taking into account all AMT adjustments, tax preference items, and AMT prior year unallowed losses. If the amount is a gain, it can be included on the AMT Form 8582, but if it is a loss, the adjustment for the tax shelter passive farm activity is the loss you reported for regular tax purposes. The AMT loss to carry forward is the refigured AMT loss.

Insolvency.—If at the end of the tax year, your liabilities exceed the fair market value of your assets, increase your passive activity loss allowed by that excess (but not more than your total loss). See section 58(c)(1).

Line 4t—Beneficiaries of estates and trusts.—Enter on this line the amount from line 7 of your Schedule K-1 (Form 1041). This is your share of the distributable alternative minimum taxable income from the estate or trust.

Lines 5a through 5h.—Tax preference items—Enter all tax preference items on lines 5a through 5h as positive amounts. When you refigure an item for AMT, and the AMT amount is more than that figured for the regular tax, do not enter an amount on the line.

Line 5a—Appreciated property charitable deduction.—Enter the amount by which your contribution deduction would be reduced if all capital gain and section 1231 property were taken into account at its cost or other basis (rather than its fair market value).

Do not make an adjustment for carryforwards of charitable contributions made before 8/16/86. Also, do not include property for which you elected under section 170(b)(1)(C)(iii) to figure the contribution deduction using the property's adjusted basis rather than its fair market value.

Line 5b—Tax-exempt interest from private activity bonds issued after 8/7/86 .—Enter the interest you earned on "specified private activity bonds" reduced by any deduction that would have been allowable if the interest were includible in gross income for regular tax purposes. Generally, the term "specified private activity bonds" means any private activity bond (as defined in section 141) issued after 8/7/86. See section 57(a)(5) for exceptions and for more information.

Exempt-interest dividends paid by a regulated investment company are treated as interest on a specified private activity bond to the extent the company received interest on the bond.

If you are filing **Form 8814,** Parent's Election To Report Child's Interest and Dividends, any tax-exempt interest from line 1b of that form that is a tax preference item must be included on line 5b.

Line 5c—Depletion.—In the case of mines, wells, and other natural deposits, enter the amount by which your depletion deduction under section 611 exceeds the adjusted basis of the property at the end of your tax year. In computing your year-end adjusted basis, use the rules of section 1016. However, do not reduce the adjusted basis by the current year's depletion.

Figure the excess amount separately for each property. If the depletion deduction for any property does not exceed the adjusted basis at year end, do not enter a tax preference amount for that property.

Line 5e—Accelerated depreciation of real property placed in service before 1987.—For AMT purposes, you must use the straight line method to figure depreciation on this property. Enter on line 5e the excess of the depreciation taken on this property for the regular tax over the depreciation as refigured for the AMT (using straight line). Figure this amount separately for each property and include only positive amounts on line 5e. For 15-, 18-, or 19-year real property, use the straight line method over 15, 18, or 19 years. For low-income housing property, use the straight line method over 15 years.

Line 5f—Accelerated depreciation of leased personal property placed in service before 1987.—For AMT purposes, you must use the straight line method to figure depreciation on this leased property. Enter on line 5f the excess of the depreciation taken for the regular tax over the depreciation as refigured for the AMT (using the straight line method). Figure this amount separately for each property and include only positive amounts on line 5f.

For leased recovery property, other than 15-, 18-, or 19-year real property, or low-income housing, enter the amount by which your depreciation deduction figured for the regular tax exceeds the deduction allowable using the straight line method with a half-year convention, no salvage value, and the following recovery period:

3-year property	5 years
5-year property	8 years
10-year property	15 years
15-year public utility property	22 years

Line 5g—Amortization of certified pollution control facilities placed in service before 1987.—The election under section 169 to amortize the basis of a certified pollution control facility over a 60-month period is not available for AMT purposes. If the election was made for regular tax purposes, compute the adjustment by subtracting the depreciation deduction you would have been allowed under section 167 from the current year amortization deduction.

Line 5h—Intangible drilling costs.—If, for the regular tax, you elected the optional 10-year write-off under section 59(e) for all property in this category, skip this line. No adjustment is necessary.

Intangible drilling costs (IDCs) from oil, gas, and geothermal wells are a tax preference item to the extent that the "excess IDCs" exceed 65% of the "net income" from the wells. The tax preference item is computed separately for oil and gas properties and geothermal properties.

Excess IDCs are computed as follows: Figure the amount of your IDCs allowed for regular tax purposes under section 263(c), but do not include any section 263(c) deduction for nonproductive wells. Then, subtract the amount that would have been allowed had you amortized that amount over a 120-month period starting with the month the well was placed in production.

Note: *If you prefer not to use the 120-month period, you can elect to use any method that is permissible in determining cost depletion.*

Net income is determined by taking the gross income that you received or accrued during the tax year from all oil, gas, and geothermal wells and reducing it by the deductions allocable to these properties (reduced by the excess IDCs).

Note: *When refiguring net income, use only income and deductions allowed for AMT purposes.*

Line 7—Alternative tax net operating loss deduction—(ATNOLD).—Your ATNOLD is figured as follows:

For loss years beginning after 1986, reduce any NOL from a year after 1986 by any positive AMT adjustments in that year (see the types of adjustments listed on lines 4a through 4t). Increase the NOL by negative adjustments. Also, reduce the NOL by any tax preference items (but only to the extent they increased the NOL you determined for regular tax purposes).

For loss years beginning before 1987, see section 56(d)(2)(B) to refigure your ATNOLD.

Enter on line 7 the smaller of the ATNOLD or 90% of the amount shown on line 6 of Form 6251. If the 90% amount is smaller, the unused NOL can be carried back or forward in accordance with section 172(b). The treatment of NOLs for AMT purposes does not affect the amount of your NOL for regular tax purposes.

Note: *If you elected under section 172(b)(3)(C) to forego the carryback period for regular tax purposes, the election will also apply for the AMT.*

Line 8—Alternative minimum taxable income.— If you are married filing a separate return and the amount on line 8 is more than $155,000, complete the following worksheet.

A. Enter amount from line 8 of Form 6251	
B. Maximum amount	$155,000
C. Subtract line B from line A	
D. Multiply line C by 25% (.25)	
E. Enter the **smaller** of line D or $20,000	
F. Add lines A and E. Enter the result here and replace the amount on line 8 of Form 6251 with this amount	

Line 13.—If you are completing this form for a child who was under age 14 on January 1, 1990, use the worksheet below to figure the amount to enter on line 13. But, do not use the worksheet if neither of the child's parents were alive on December 31, 1989. Instead, follow the instructions on the form for line 13.

Line 13 Worksheet For Computing Minor Child's Alternative Minimum Tax Exemption

A. Enter amount from line 9 of child's Form 6251	
B. Enter amount from line 12 of child's Form 6251	
C. Subtract line B from line A. If the result is -0- or less, enter -0-	
D. Enter the child's earned income. See instructions below	
E. Exemption under section 59(j)(1)(B)	$1,000
F. Add lines D and E	
G. Enter the smaller of line C or line F here and on line 13 of Form 6251	

To the left of the entry space on line 13 write "Exemption Worksheet."

Line D.—Earned income includes wages, tips, and other payments received for personal services performed. Generally, earned income is the total of the amount(s) reported on Form 1040, lines 7, 12, and 19; Form 1040A, line 7; or Form 1040NR, lines 8, 13, and 20.

However, if any of the following applies, use the worksheet in **Pub. 929,** Tax Rules for Children and Dependents, to figure the amount for line D of the worksheet:

- The child files Form 2555, Foreign Earned Income.
- The child had a net loss from self-employment.
- The child claims a net operating loss deduction.

Line 16—Alternative minimum tax foreign tax credit.—Your AMT foreign tax credit is your foreign tax credit refigured as follows:

(1) Complete and attach a separate Form 1116 for each separate limitation specified at the top of Form 1116 to help you determine your AMT foreign tax credit. Print across the top of each Form 1116—"Alt Min Tax."

(2) Fill in Part I using the portion of your taxable income, adjustments, and tax preference items from Form 6251 attributable to sources outside the United States.

(3) Fill in Part III; but, do not enter on line 1 any taxes taken into account in a taxable year beginning after 12/31/86 that are treated under section 904(c) as paid or accrued in a tax year beginning before 1987. Enter on line 2 of Form 1116 your alternative minimum foreign tax credit carryover, and on line 9 of Form 1116 enter the alternative minimum taxable income from line 8 of Form 6251. On line 11 of Form 1116, enter the amount from line 15 of Form 6251.

(4) Complete Part IV for Form 1116. The foreign tax credit from Part IV, line 10, of Form 1116 used for AMT purposes is limited to the tax on line 15 of Form 6251 minus 10% of what the tax on line 15 would have been if line 7 of Form 6251 had been zero. If you have no entry on line 7 of Form 6251, enter on line 16 of Form 6251 the smaller of 90% of line 15 of Form 6251 or the amount from Part IV, line 10, of Form 1116. If line 7 of Form 6251 has an amount, for purposes of this line, recompute what your tax on line 15 would have been if line 7 were zero. Multiply that amount by 10% and subtract the result from the tax on line 15. Enter the smaller of that amount or the amount from Part IV, line 10, of Form 1116 on line 16 of Form 6251.

If your foreign tax credit is limited for AMT purposes, the amount you cannot use can be carried back or forward in accordance with the rules under section 904(c). The treatment of foreign tax credits under the AMT rules does not affect the amount of your foreign tax credit for regular tax purposes.

Line 18—Tax.—Enter the amount from Form 1040, line 38 plus any tax from Form 4970 entered on line 39 of Form 1040. Subtract from that amount, any foreign tax credit entered on line 43 of Form 1040. Enter the result on line 18 of this form.

Line 19.—If this form is being completed for a child who was under age 14 on January 1, 1990, (the line 13 worksheet was completed) and line 17 is more than line 18, get **Form 8803,** Limit on Alternative Minimum Tax for Children Under Age 14. Using Form 8803 may reduce or eliminate the child's AMT if:

- the child's parent has regular tax that is more than the parent's tentative minimum tax (line 18 is more than line 17 if the parent completed Form 6251); **or**
- another child of the parent who was under age 14 on January 1, 1990, has regular tax that is more than that child's tentative AMT.

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